

*A.) In response to applicant's argument that the references fail to show certain features of applicant's invention, it is noted that the features upon which applicant relies (i.e., Applicants' invention permits accumulated savings to be reported to the saver as a current value and as a defined future income) are not recited in the rejected claim(s). Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See In re Van Geuns, 988 F.2d 1181, 26 USPQ2d 1057 (Fed. Cir. 1993). Furthermore, Applicant argues numerous times for both limitations when independent claims only claimed one limitation OR the other limitation.*

In distinguishing applicant's claimed invention from the teachings of Lewis, it was not applicant's intent to rely upon features not recited in the claims or on individual features not considered in combination with the other features claimed. All of the claims expressly require that the investment instrument or product as purchased specifies the amount of the future annuity payments the holder will be entitled to receive, as well as the times when those payments are to be made. The fixed and variable deferred annuity contracts described in Lewis do not specify the amount and times of the future annuity payments, and those amounts and times are not known until the time when the holder chooses to convert the then current value of the contract into an immediate annuity at the time the payout begins. The features which distinguish applicant's invention from the deferred annuity plans taught by Lewis are expressly stated in all of the independent claims as will be explained in more detail below.

Before commenting on the differences between the claimed features of applicant's invention and the Lewis deferred annuities, it should be noted that applicant does not contend that Lewis fails to disclose reporting the "current value" of savings to the saver. As noted in applicant's last response, at page 14: *"Applicant agrees that Lewis teaches determining and reporting the current account value of an annuity contract during both the accumulation phase and during the payout phase and that, "During the accumulation phase, and subject to surrender charges, the contract holder has full access to the account value." (col. 3, lines 55-57)."* While mechanisms for periodically publishing the current value of applicant's investment products are set forth in claims 4-5, 12, 13, and 15-22, these limitations are not present in all of applicant's claims and, when claimed, are claimed in combination with other distinctive features. The reporting of current value is thus not relied upon, by itself, to distinguish over Lewis, which

clearly does disclose mechanisms for periodically reporting the current value of annuity contracts after they are issued.

Thus, while applicant does not rely upon the reporting of current value to distinguish the subject matter claimed from Lewis, applicant does rely upon the fact that all of the claims set forth the issuance of an investment or product that specifies a future maturity date upon which the holder will be entitled to receive a lump sum payment or alternatively, at the option of the holder, to instead receive a sequence of annuity payments in amounts and at times that are specified in the issued instrument. Note that, as claimed, the issued investment instrument or product specifies the amount and timing of the future annuity payments which the holder will be entitled to receive. That is not true in Lewis' deferred annuity contracts which do not specify a maturity date when either a lump sum will be paid, or the amounts of and the times when the holder will be entitled to receive optional future annuity payments.

When a purchaser buys an investment product of the type set forth in all of applicant's claims, that product as issued specifies a future maturity date, specifies a lump sum payment which the holder will be entitled to receive at that maturity date, further specifies the amounts and payment times of annuity payments which the holder will be entitled to receive beginning at the specified maturity date (typically, \$1 per share paid monthly for life, beginning at the stated maturity date).

The Lewis deferred annuity contracts don't work that way. The deferred annuity contracts described by Lewis do not specify a maturity date, and the holder of a deferred annuity contract may elect to exercise an option to convert the current value of the annuity contract into immediate annuity payments at a time of the holder's choosing. There is no mention anywhere in the text of the Lewis patent of a "maturity date". As issued, the Lewis annuity contracts do not specify when payouts of any kind are to occur, and do not specify the amount of the payments the holder will be entitled to receive when and if the contract holder elects to convert the contract into annuity. The amount of those annuity payments depend on the current value of the contract when the annuity benefit is elected, are not determined before that time, and the amounts and times of the future annuity payments are not specified in the contract as issued and purchased.

**All of applicant's claims require that the investment instrument or product specifies both the amount and timing of future annuity payments**

Lewis does not disclose an investment product of the kind defined by applicant's claims. The claimed investment product entitles its holder to receive annuity income payments in specified amounts at specified times beginning at a specified maturity date. While the holder of a fixed annuity contract of the type described by Lewis has the option, at a time of his or her choosing, to convert the contract into an annuity which thereafter pays specified amounts at specified times, those amounts and times are not stated in the contract as issued and as purchased, but instead are determined at the time the holder elects the annuity conversion. The Lewis deferred annuity contracts do not specify a maturity date when the current value of the contract is converted to an annuity, and the holder may choose the time when annuitization occurs. Until that happens, the current value of the contract typically continues to grow at an uncertain rate which varies, for fixed annuities, on interest rates which vary as yields vary in the capital markets [Lewis, column 2, lines 1-9], and which, for variable annuities, vary depending on the performance of fund(s) into which the payments were invested [Lewis, column 2, lines 21-26]. Hence, under the methods taught by Lewis, the amount of the surrender benefits that are payable, and the amounts of the annuity payments which will be made, are not determinable until the contract holder elects to convert whatever current value the contract into a surrender value or an elected annuity benefit.

As shown by the quoted passages from each of the independent claims as presented below, all of applicant's claims expressly state that the investment instrument entitles its holder to receive future income payments in specified amounts and at specified times.

**Independent claim 1** sets forth the method step of "creating a security . . . entitling its holder to receive, at one or more future maturity dates specified by said security, either a lump sum payment amount or, at the option of said holder, to receive a sequence of annuity payments, the amount and payment date of each of said annuity payments being specified by said security . . ."

**Independent claim 3** sets forth the method step of "creating a written instrument which represents a number of units or shares owned by the holder of said instrument, . . . entitling its holder to receive, at a future maturity date specified by said security, either a

lump sum payment amount or, in the alternative and at the option of said holder, to future income consisting of a single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals ...”

**Independent claim 10** sets forth the method for “issuing and redeeming an investment instrument that entitles its current holder at a maturity date specified in said instrument to receive a specified minimum annuity income after said maturity date, ... said instrument denominated as a number of units or shares each of which entitles said current holder of said instrument to receive a specified monetary unit of a specified currency payable at periodic calendar intervals after said maturity date, paying to said current holder of said instrument at said maturity date a minimum lump sum cash payment specified by said instrument or, in the alternative and at the option the said current holder, transferring to said current holder in exchange for said instrument or said lump sum payment the right to receive for each of said units or shares at least said specified monetary unit of said specified currency payable at said periodic calendar intervals.”

**Independent claim 15** sets forth the “method of issuing and managing an investment instrument denominated as a number of units or shares each of which entitles a holder to receive a specified monetary unit of a specified currency at periodic calendar intervals, ... on or about a specified future maturity date, paying a lump sum monetary payment to the current holder of said investment instrument at said maturity date, ... at the option of said holder exercised on or about said maturity date, converting all or part of said investment instrument or said lump sum monetary payment into the right to receive a guaranteeable annuity income consisting of at least said specified monetary unit of said specified currency for each of said units or shares payable at each of said periodic calendar intervals.”

**Independent claim 19** sets forth the “method of issuing and managing an investment product that allows its holder to own a liquid investment asset and to know with reasonable certainty both the asset’s minimum value at a future maturity date specified by said investment product and to know the minimum annuity income that the asset can provide after said maturity date, said method including . . . said method including the steps of: denominating said product as a number of units or shares each of

which provide a minimum annuity income that said holder will have the right to receive each month after said maturity date, said minimum annuity income being expressed as a single monetary unit of a specified currency ...”

As Lewis explains at column 2, lines 39-43: *“In a fixed annuity, the dollar amount of each annuity benefit payment during the distribution phase is known with certainty at the time the account value is applied to the purchase of an annuity benefit option. (The point in time where the accumulated value of the deferred annuity is exchanged for a promise by the insurer of a series of future retirement income benefit payments is termed “annuitization.”) The fixed annuity benefit payments are typically level forever, such as \$1,000 per month, or increase by a specified percentage, such as \$1,000 per month, increasing by 3% each year. However, fixed annuity benefit payments are definitely determinable as to dollar amount at the point where the annuity contract owner elects the annuity benefit option from among his or her choices.”*

In a Lewis “variable annuity,” as described by Lewis at col. 2, lines 53-67, the dollar amount of each annuity benefit payment during the distribution phase is not known with certainty even at the time of annuitization. Whereas, under Lewis’ fixed annuity contracts, the future annuity payments are determined at the time of annuitization depending on the then current account value of the contract, the purchaser of a variable annuity receives the “annuity unit value” which is recalculated at periodic valuation dates during the annuity payout period, and as a result remains uncertain even after annuitization occurs.

In other words, while the purchaser of a Lewis fixed or variable annuity contract has the right, as one of his or her choices, to exchange whatever account value may have accumulated at the time of “annuitization” into fixed annuity payments, the dollar amount of those fixed payments is not specified in the purchased contract and is not determined until the time when annuitization occurs (for Lewis’ fixed annuities) or until the time of each annuity payment is made (for Lewis’ variable annuities). Thus, in both cases, the amount of the future annuity payments is not specified in the instrument at the time of purchase as claimed by applicants.

**The Lewis deferred annuity contracts do not specify a maturity date**

In section B) of the outstanding Action, the Examiner stated:

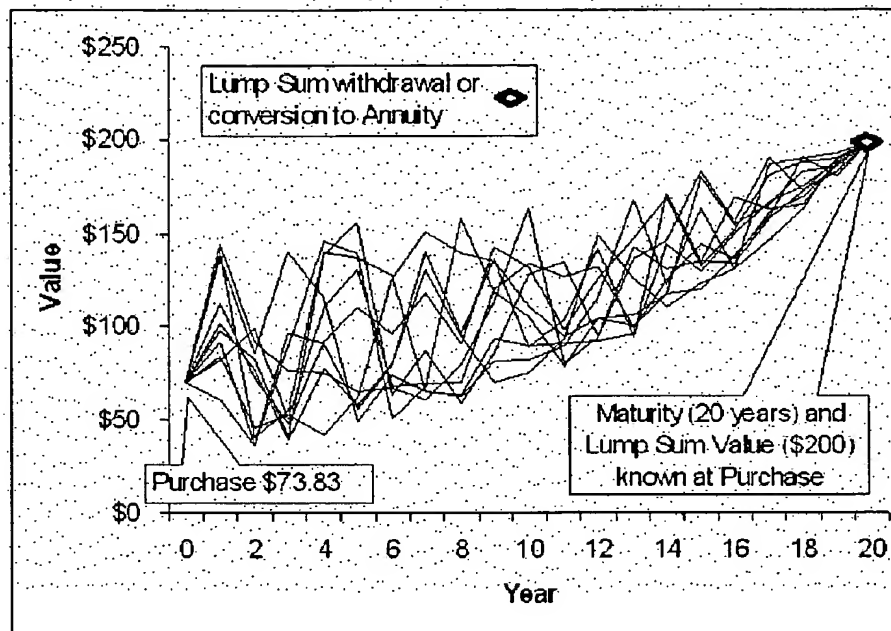
*B.) Applicant alleges that the prior art made of record fails to teach at one or more future maturity dates..., a lump sum payment amount. The examiner disagrees with applicant's representative since Lewis teaches at one or more future maturity dates... a lump sum payment amount (col. 2, lines 39-52; col. 9, line 54 to col. 10, line 20; fig. 3 (element 76)). In other words, Lewis teaches the lump sum payment amount is known with certainty as in certain maturity date. For example, Lewis discloses the account value at the end of the prior month is \$95,000.00, net investment earnings for the month are \$900.00, and the amount of the periodic (monthly) income payment is \$1,500.00, then the current account value would be \$94,400.00.*

It is again respectfully submitted that Lewis' annuity contracts as issued do not specify at the time of purchase when the future lump sum or annuity payments are to be made because, under Lewis' contracts, payments do not begin until the contract holder elects to receive payments. Surrender and annuity payments occur at a time chosen by the contract holder and not on a maturity date specified in the annuity contract as claimed. The requirement that the investment instrument must specify the time of payment for both the future lump sum amount payable at the maturity date, and the times when alternative future annuity payments are made, is expressly set forth in each of the five independent claims as seen by the passages underlined in each of the independent claims quoted above.

**Graphical comparison**

The two graphs shown below provide a visual illustration of the difference between the lump sum payout to which contract holders are entitled using the method claimed by applicant and using the method disclosed by Lewis.

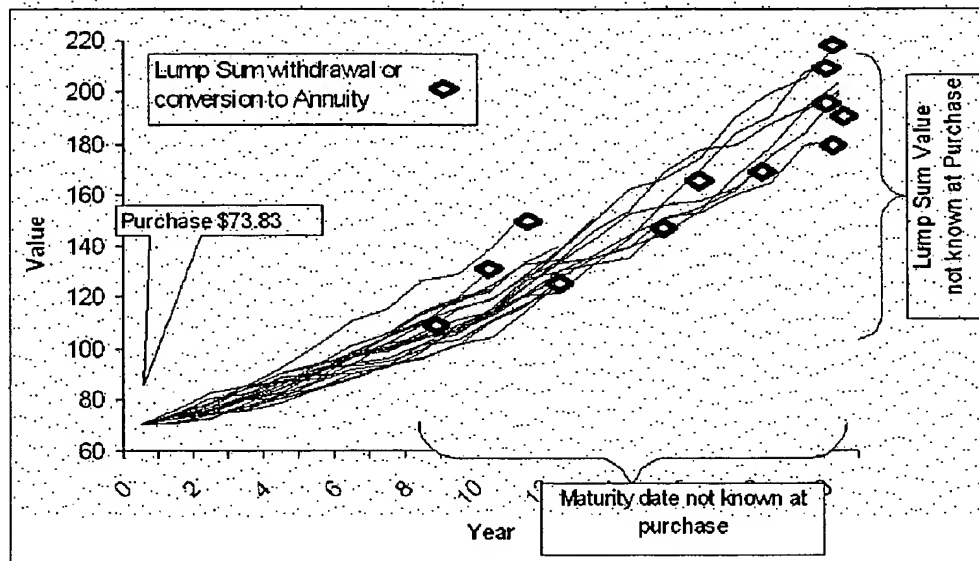
Consider first the illustrative example described at pages 37-38 of applicant's specification in which each purchased share entitles the holder to receive \$200 in 20 years from the initial purchase, as indicated at year "0" in Graph below:



Graph 1

Each purchased share is funded by investing in zero coupon bonds which yield 6% and are payable at the specified maturity date (year “20”). In the example as described in applicant’s specification, at the time of purchase, bonds that will meet the target of \$200 are worth \$62.36 (present value of \$200 discounted at 6% for 20 years). The fund is thus started by buying \$62.36 of zero coupon bonds for each share it issues, and further paying \$11.47 for the cost of administering each share until maturity. The fund thus has an initial net asset value (NAV) of \$73.84 at the time the share is initially issued and purchased at year “0”. The multiple jagged lines in Graph 1 illustrate how the net asset value of each share might vary from the time of purchase under different market conditions (discount rates), with each individual jagged line representing one possible set of discount rates (using random numbers) that might be encountered during the “accumulation phase” prior to the maturity date at year “20” (the maturity date specified in the contract) at which time the specified lump sum of \$200 to which the holder is entitled will be paid, or at which time the holder may instead elect to receive annuity payments in specified amounts and times (e.g. \$1 per month for life beginning at the maturity date). Note that the purchaser thus knows both the current value (price) of each share as well as the amounts and times of the payments which each share entitles its holder to receive.

For comparison, Graph 2 below illustrates how the account value of a representative fixed annuity contract of the type taught by Lewis might be expected to grow over time, given the same initial investment of \$73.84 at year "0" shown in Graph 1.



Graph 2

In the Graph 2 above, the interest rate is assumed to be reset every year based on changes in whatever fixed income investment yields become available in the capital markets as described by Lewis at column 2, lines 4-8. As in the earlier chart, each of the jagged lines shows one possible manner in which the current value of the contract might change over time, again using random numbers to simulate varying yields that might be encountered each year.

Because holder of a Lewis deferred annuity contract can surrender the contract for its current account value at any time, subject to surrender charges (see Lewis at column 3, lines 55—57), each jagged line in Graph 2 terminates at a diamond indicating the payout amount that would be received if the contract holder chooses to make the withdrawal at that time. As Graph 2 illustrates, neither the lump sum payment amount, nor the time at which this payment occurs, are specified in the Lewis deferred annuity contract as purchased, whereas both are specified in accordance with applicant's invention as illustrated in Graph 1. The amount paid to a Lewis contract holder is subject to variations in the interest rate over time, and both the amount and the time vary depending on when the holder elects the payout. Under the annuity contracts



described by Lewis, the contract holder is thus not entitled to receive, and does not in fact receive, a lump sum amount specified by the contract at a maturity date specified by the contract.

**The passages in Lewis cited in the final rejection do not disclose the claimed invention**

The cited passages of Lewis in columns 2 and 9-10 and the cited element 76 in Fig. 2 do not disclose or suggest that specified payment(s) are made at a maturity date specified in the deferred annuity contract

**The cited passage in Lewis at column 2, lines 39-52** has been discussed above and specifically states that, *"In a fixed annuity, the dollar amount of each annuity benefit payment during the distribution phase is known with certainty at the time the account value is applied to the purchase of an annuity benefit option. (The point in time where the accumulated value of the deferred annuity is exchanged for a promise by the insurer of a series of future retirement income benefit payments is termed 'annuitization.')"* There is nothing in this cited passage that suggests that the amount of future payments, or the times of future payments, are specified in the contract. Indeed, the opposite is true. The passage expressly states that the amounts of the annuity payments are not determined until *"the point where the annuity contract owner elects the annuity benefit option from among his or her choices"* and, moreover, the passage makes it clear that payments do not begin at all until the contract holder elects the annuity benefit option, and not at a maturity date specified in the contract. The Examiner's attention is directed to column 3, lines 53-67 *et seq.* where Lewis explains why holders of deferred annuities typically choose not to annuitize their contracts but instead maintain the account in its active accumulation phase in order to preserve liquidity. The Lewis contracts do not specify a future maturity date when the holder will be entitled to receive either a lump sum amount or to receive annuity payments of specified amounts at specified times.

**The cited passage at column 9, line 54 to column 10, line 20** describes the process shown in Figs. 3 and 4 which explains Lewis' computer-based process for distributing income from an annuity during the payout period; that is, during the period after the contract holder has elected the annuity benefit. The cited passage in columns 9 and 10 describes Lewis' specific method of providing a payout mechanism that blends a lifetime annuity plan and a systematic withdrawal plan, as Lewis explains beginning at column 4, line 24 *et seq.* where Lewis describes

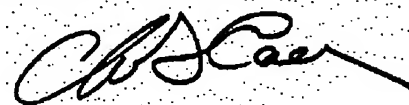
how the blend of systematic withdrawals and lifetime annuities is administered during the payout period. Referring to Fig. 3, Lewis explains how the administration of a "new annuity" begins at block 46 when the initial deposit (i.e. the current value of the contract at the time of annuitization) is reduced by loading charges (at blocks 52-70 in Fig. 3) to calculate the initial benefit. Note the cited passage in columns 9-10 confirms that this initial benefit amount is determined at the time it is paid out, and not at the time the contract is issued. After the initial benefit payment is made, the blocks at 74-88 describe how each monthly payment amount thereafter calculated, with investment returns during the payout period being taken into account at blocks 76 -78, and the account value being updated to reflect benefit payments and load charges at 88. Figs. 3 and 4 thus describe the automated mechanism used by Lewis to manage the investment during the annuity payout period. The cited passages describing Figs. 3 and 4 nowhere suggests the issuance of an instrument which specifies a future maturity date when the holder of the instrument will be entitled to elect either a lump sum payment or a sequence of annuity payments whose amounts and payment times are specified in the instrument.

In section B) of the outstanding final rejection, the Examiner also noted that "*Lewis teaches the lump sum payment amount is known with certainty as in certain maturity date. For example, Lewis discloses the account value at the end of the prior month is \$95,000.00, net investment earnings for the month are \$900.00, and the amount of the periodic (monthly) income payment is \$1,500.00, then the current account value would be \$94,400.00.*" The quoted example (which appears at column 5, lines 40-45) illustrates how Lewis' automated method adjusts the current account value upwardly to reflect earnings and downwardly to reflect a given monthly payment as the status of the annuity is recalculated each month during the payout period. But the cited example does not disclose or suggest the subject matter claimed: the issuance of an investment instrument that specifies a future maturity date and entitles the instrument holder to receive, at the specified maturity date, either a lump sum payment or in the alternative a sequence of annuity payment in amounts and at time specified in the instrument.

**Conclusion**

Reconsideration of the application in view of the foregoing remarks is respectfully requested. The subject matter expressly set forth in pending claims 1-13 and 15-22 is neither suggested nor disclosed by the Lewis et al. patent and this application should be granted.

Respectfully submitted,

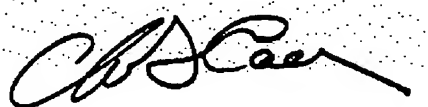


Dated: January 27, 2006

Charles G. Call, Reg. 20,406

**Certificate of Transmission under 37 CFR 1.8**

I hereby certify that this *Amendment* is being transmitted by facsimile to the central facsimile number of the U.S. Patent and Trademark Office, (571) 273-8300, on January 27, 2006.



Dated: January 26, 2006

Signature

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